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COPY NO. 39

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

JUN 1 1951

Date:

NOTE:

1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.

2. Comments represent the preliminary views of the Office of Current Intelligence.

3. Marginal letter indications are defined as follows:

"A" - items indicating Soviet-Communist intentions or capabilities

"B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities

"C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"B" USSR. Soviet Refugee Maintains Defectors Wish to be Used. The US-Berlin representative of HICOG reports a conversation with representatives of the Anti-Soviet Freedom League for German-Russian Friendship, whose spokesman in this case was Gregory Klimov, a highly intelligent Soviet defector, formerly technical adviser to the Deputy Chief of Soviet Military Administration in Berlin. Klimov maintained that man reacts to fundamentals like injustice in the same way as to hunger and thirst, and therefore the majority of Russians are disaffected with the Soviet regime. He added, however, that the Russians were bitter against the US for the stupid handling of people who risk their lives for freedom and defect. They fear that the US fails to understand that a man who has lived his whole life under a system of regimentation becomes bewildered and unhappy if, after making the great decision of his life, he is given no opportunity to fight for freedom, but instead is cast off on his own in a strange country. Such people wish to be used, and the US is passing up a great opportunity in not using them. When they emerge from six months or a year in a US internment camp, they ask themselves if this is a free world for which they sacrificed everything. Klimov further maintained that if the Russian people are convinced that the US distinguishes them from the regime, then the chances of developing a real resistance movement inside Russia are promising. [redacted] (b)(1) (b)(3)

(b)(1) [redacted] COMMENT: The "Freedom League" held its first public meeting (b)(3) on 13 May and is jointly sponsored by West Berliners and Russian refugees among them Ernst Reuter, Mayor of West Berlin, and Rainer Hildebrandt, leader of the Fighting Group Against Inhumanity.

"B" EASTERN EUROPE. POLAND. US Attache Observes Little Military Activity. The US Naval Attache in Warsaw observed no unusual military activity in a field trip between Warsaw and the Baltic coastal area between 24-26 May. Only guard detachments were seen in most of the Polish army barracks. [redacted] (b)(3)

"A" RUMANIA. Western Diplomats Consider Imminent Balkan Hostilities Unlikely. The US Legation in Bucharest reports that Western diplomats in Rumania concur that an attack on Yugoslavia this summer appears unlikely, although the situation is always explosive. The Legation acknowledges that more reports, largely unconfirmed, of Rumanian and Soviet troop movements are now circulating than at any time since last spring, but points out that such movements into critical areas such as Western Rumania are customary during spring maneuvers. Thus the departure of Rumania's only armored division from Bucharest in early May is in itself not considered alarming. The fact that there are no mounted anti-aircraft guns and no air raid directives in Bucharest is also cited in support of the Western diplomats' estimate. [redacted] (b)(3)



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COMMENT: For over a year travel restrictions imposed on Western diplomats have limited their personal observations to the immediate vicinity of Bucharest. In addition numerous arrests and trials of Rumanians on "espionage" charges because of their contacts with Western missions have drastically curtailed contacts of Western diplomats with potential Rumanian sources of information. These severe restrictions tend to weaken the factual basis of any Western diplomatic estimate of military activity in the country. The fact that military maneuvers in the spring are traditional in the Balkan countries furnishes a convenient cover for all military activity.

"C" YUGOSLAVIA. Albanian Refugees in Yugoslavia Issue Proclamation. "The League of Albanian Political Emigres" recently founded in Prizren, Yugoslavia [redacted] has drafted a program and issued a proclamation. The proclamation calls upon all Albanians to continue their struggle for a "democratic, free, and independent Albania", to destroy the methods of Hoxha and Shehu and to take as their example Koco Xoxe and "other Albanian heroes". The proclamation emphasizes the "friendship" of the Albanian and Yugoslav people and the assistance which Tito's Yugoslavia has rendered Albania. [redacted] COMMENT: There are approximately 6-7000 Albanian refugees in Yugoslavia, in addition to an Albanian minority which, according to the Yugoslavs, totals 750,000. By organizing these groups and directing their activities, the Tito government has an effective weapon for espionage and subversive activities in Albania.

(b)(1) (b)(3) (b)(1) (b)(3)

"B" Department Considers Immediate Conclusion of London Economic Talks Imperative. The US Department of State has informed its representatives at the London Conference discussing economic assistance to Yugoslavia that the immediate successful conclusion of the talks is important in view of the harmful consequences which any further delay may cause. The Department therefore suggests that the Embassy approach the Foreign Office on the highest level necessary if no final British decision is reached by 4 June regarding the share of Yugoslav economic aid which the British will assume. The US Embassy London is instructed to point out that any further delay may (1) cause serious strain on relations between the three Governments and Yugoslavia, particularly if the latter develops the idea that disagreement exists among the three Western powers, (2) jeopardize the US-UK-French approach to fourth countries to obtain their assistance in the Yugoslav aid program, (3) endanger the success of the US executive branch in presenting to Congress the Yugoslav aid request, (4) cause IBRD to break off its negotiations with Yugoslavia for a $200,000,000 loan, and (5) disrupt the economic aid pipeline to Yugoslavia and further weaken the Yugoslav economy. [redacted] (b)(1) (b)(3)

(b)(1) [redacted] COMMENT: The outstanding issue which had delayed the conclusion of the London economic talks has been the British insistence (b)(3) that their share of the economic burden should not be more than 22½%



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of the total. French representatives at the London Conference have indicated that France would be willing to put up 12½% if the British contribution amounted to 25%. The US has maintained that UK contribution should total 25%, the French 12½%, and the US 62½%.



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SECTION 2 (EASTERN)

"B" IRAQ. Progress Made in the IPC Negotiations. According to US Ambassador Crocker in Baghdad, negotiations between the Iraq Government and the Iraq Petroleum Company (IPC) have progressed as far as they can go for the time being. In spite of the gap between the two parties Crocker believes that a formal understanding will be reached before the IPC representatives return to London and that an actual agreement may be signed during the summer. While specific details are not available, the future agreement will generally conform with the ARAMCO 50-50 type profit-sharing arrangement with Iraq receiving half of the net profit before taxes are deducted. Several points of difference remain to be ironed out, but IPC and its subsidiary companies are optimistic that these obstacles will be eliminated. The reasons why the Iraqis have delayed the reaching of an agreement at the present time are because (a)they wish to await further developments in Iran, (b)they do not want an unratified agreement "kicking around politically" until the Iraqi Majlis (Parliament) next convenes in December, and (c)they want to give the impression that they have won a hard battle from IPC even though major differences are expected to be resolved in the near future. (b)(1) (b)(3)

(b)(1) (b)(3) COMMENT: While the outlook is apparently favorable for a satisfactory agreement being reached between the Iraqi Government and IPC representatives, future developments in Iran may act as a catalytic agent on Iraq in pressing for subsequent concessions from the petroleum companies at a later date.

"A" INDIA. Arrival Soviet Wheat in Bombay. According to a Delhi broadcast, approximately 6,600 tons of wheat from the USSR arrived in Bombay on 31 May. This is the first installment of wheat to arrive in India under the recent agreement reached between India and the USSR. (b)(1) (b)(3)

(b)(1) (b)(3)

"A" INDIA. Attitude Toward Sino-Tibetan Agreement. (b)(1) (b)(3)

(b)(1) (b)(3) Prime Minister Nehru's private secretary has stated that he considered the recently signed Sino-Tibetan agreement of no concern to the Indian government because it was achieved by peaceful means. He further stated that even if military forces of Communist China should occupy Tibet, they would have difficulty in traversing the passes into India. As for the Indian military garrisons in Tibet, he felt an agreement could be worked out for their withdrawal.

(b)(1) (b)(3) It seems clear to US Embassy New Delhi, from foregoing and other conversations, that Indian officials who were first reported as considering the terms of the agreement "somewhat stiff", are now playing down its significance and endeavoring to rationalize the real



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effect it may have on India. (b)(1) (b)(3)

"C" PAKISTAN. Asian Labor Resolves to Implement UN Embargo on China. According to a Delhi broadcast on 31 May the Asian regional conference of the International Confederation of Free Trade Unions, meeting in Karachi, passed a resolution calling on labor organisations to implement the UN embargo on the export of strategic materials to China. (b)(1) (b)(3) COMMENT: The delegates have taken a stronger position on the embargo than some of their respective governments whose position in the matter has been somewhat equivocal.

"B" PHILIPPINES. Defense Secretary Alleges Communist Influence in Philippine Senate and Reports Change in Huk Policy Toward Americans. In a conversation with US Minister Harrington in Manila, Philippine Secretary of Defense, Magsaysay, attributed a small cut in the appropriations for his Department to the action of two Senators who he alleged were under Communist influence. Magsaysay also stated that at a recent meeting of top Huk leaders a policy of killing Americans had been adopted. (b)(1) (b)(3) COMMENT: Although there have been unproved allegations of Communist influence on at least one member of the Philippine House of Representatives, this is the first such allegation against any of the 24 Philippine Senators. Magsaysay offered no evidence and did not specify the individuals to which he was referring and preliminary evaluation of his allegation is "doubtful". Similarly, with regard to Huk policy toward Americans (b)(1) (b)(3) Magsaysay's information must be treated with reserve until his sources are known and can be evaluated.

"B" INDOCHINA. Rebel Offensive in Tonkin Reported Disrupted. The offensive launched by DRV rebels against the southern leg of the Tonkin delta triangle encountered strong French counter-attacks during its second day. Rebel action, centering on the city of Ninh Binh, is said to have been disrupted. An official French communique states that as many as 35,000 to 40,000 rebel troops are involved, with the objective of seizing rice rather than territory. (b)(3) FBIS Ticker; Radio Vietnam 1 June 51; (b)(1) (b)(3) COMMENT: Following the ripening rice, rebel attacks have been moving from south to north. The present action is apparently part of what the rebel radio itself has described as the "Battle for Rice." There is still no reason to believe that this action is inconsistent with the earlier announced policy of the Ho regime of not attempting to "liberate" new territory.



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"B" Condolences for De Lattre. Top US officials who called on General De Lattre, following the death of his son in the fighting at Ninh Binh, found the general worn out and bitter. The theme of his bitterness was: What is the use of this sacrifice, unappreciated by our allies and squandered on an ungrateful people? (b)(1) (b)(3)

COMMENT: It is still problematical whether the loss of his son will seriously impair the brillant leadership which De Lattre has brought to military operations in Indochina. His reference to the "ingratitude" of the Vietnamese does not bode well for French-Vietnamese relations, which have already been severely strained by acts of anti-native violence committed by individual Frenchmen and by French nullification of visas issued by Vietnamese and Cambodian diplomatic representatives.

"A" CHINA. Communists Admit Need for Heavy Equipment. The head of a Chinese Communist "people's delegation" to Korea, interviewed on his return to Peiping, reaffirms the Communist objective of expelling UN forces from Korea and at the same time admits that Communist forces in Korea are in need of heavy equipment. This spokesman quotes troops in Korea as declaring that they "shall not return home until we destroy all the American invaders..." Then, asked what is "needed most" by Communist forces, the delegation's leader states: "more planes, tanks, guns, anti-aircraft guns, anti-tank guns, trucks and cars, to deal heavier blows to the enemy and speed up the final victory of the war." (b)(1) (b)(3)

COMMENT: The interview states neatly the Communist problem: Peiping has long been committed to the "liberation of all of Korea," but Communist forces in Korea lack the heavy equipment to accomplish that mission. The broadcast appears to be a means of prodding the USSR to supply heavy equipment, and, conceivably, of notifying the USSR that, in the absence of such equipment, the Chinese will not be able to persist indefinitely in their Korean commitment.

"C" Strategic Cargo for Chinese Communists Arrives from Antwerp. The Panamanian vessel ATLANTIC STAR, which left Antwerp 13 April with a 7900-ton cargo of strategic goods of Swedish, Swiss, French, German, Belgian, Dutch, and Luxembourg manufacture, arrived at the Pearl River estuary 30 May. The vessel was to proceed up the river and discharge its cargo into junks. (b)(1) (b)(3)

COMMENT: The cargo of this vessel included steel bars, ship's plates, brake linings, machinery, and drugs. The ship was reported to be en route to North China. The diversion of the cargo to South China was reportedly designed to prevent apprehension by the Chinese Nationalist Navy. The vessel is now expected to proceed in ballast to North China to load cargo for Europe.



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"C" "Bandit Suppression" in Kweichow. Chungking radio claims that (b)(1) "over 140,000 bandits were eliminated" in Kweichow Province in the (b)(3) past seven months. [redacted] FBIS, 31 May 51). COMMENT: The Communist claim is three times the 1950 Nationalist estimate, and five times the March 1951 G-2 estimate, of the total number of guerrillas active in Kweichow. This latest claim probably does not indicate an increased guerrilla problem in Kweichow; Communist officials concerned with "bandit suppression" have consistently claimed unreasonable successes, exaggerating the problem in order to gain false credit for having solved it.

"C" KOREA. Ex-Japanese Soldier Serving with Communists Captured in Korea. The US Eighth Army reports the recent capture of an ex-Japanese soldier serving with an artillery regiment of the Chinese Communist 20th Army. The prisoner had served with the Chinese Nationalists since 1944 and with the Chinese Communists since 1949. Although at first the prisoner claimed there were 40 additional ex-Japanese soldiers serving with his unit, he denied this claim upon further interrogation. [redacted] (b)(1) (b)(3)

(b)(1) [redacted] COMMENT: While ex-Japanese troops have long (b)(3) been reported as serving with the Chinese Communist armies, this is the first instance of the capture of such personnel on the field of battle.

"C" JAPAN. Crisis Expected at Democratic Party Caucus. The caucus of Democratic Party Diet Members scheduled for 1 June may end in the expulsion of several Upper House members of that faction which favors coalition with Premier YOSHIDA's Liberal Party. Despite mediation efforts of Party leaders, some "anti-coalition" Lower House members possibly may propose the expulsion of several of the "pro-coalition" group. In this eventuality, the majority of the Party's Upper House membership threaten to walk out on the Party out of sympathy for (b)(1) the expellees. [redacted] FBIS, 31 May 51). COMMENT: The coalition issue (b)(3) was fought out in the Party over a year ago and now appears to be coming to a head again. Observers have predicted for some time that the two major conservative parties would merge eventually.

"C" Government Railway Workers Drop "Neutrality" Stand. The Central Struggle Committee of the Government Railway Workers Union, after a night-long debate on 29 May, voted to drop from its action policy the Socialist Party's "peace principles" (essentially neutrality in the East-West struggle) which the Railway Workers have officially espoused for some months. [redacted] (b)(1) (b)(3)

(b)(1) [redacted] FBIS, 31 May 51). COMMENT: The Socialist Party's losses in (b)(3) the April local elections are widely credited to the Party's neutrality stand. Non-Communist labor generally has supported the Socialist program and the loss of the half-million strong Railway Workers support is the first break in this support. The Party's minority right wing will be encouraged to pursue its efforts to change the Party's official stand.



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SECTION 3 (WESTERN)

"B" GERMANY. Communists Will Collect Anti-Remilitarization Signatures in West Germany at Time of East German Plebiscite. Despite the melting away of non-Communist support since the government ban of the Communist-sponsored anti-remilitarization signature campaign and the effectiveness thus far of the enforcement of the government ban, west German Communists appear determined to make an attempt to collect signatures on 3-5 June, when the east German plebiscite will be held. [redacted] (b)(1) (b)(3)
COMMENT: The importance attached to the signature campaign by USSR and satellite propaganda makes it imperative for the west German Communists to attempt some sort of demonstration (see also article below). It is doubtful that many non-Communist signatures will be obtained or that the west German Communists will seriously attempt to resist restrictive police action. West Germans will not credit east German Communist press claims of a large west German vote against remilitarization.

"A" New Activities of Soviet Troops and East German Alert Police Reported. West German Chancellor Adenauer has forwarded to US officials a report of rumors of military preparations in east Germany, with the comment that he attaches no special significance to the report. According to various border-crossers, military preparations of Soviet armed forces and east German Alert Police have been taking place during the past week, under strict security and camouflage, in various towns in the Thuringian border area between east and west Germany. East German police units with light weapons have been observed in encampments, and from time to time have engaged in field exercises. The units apparently included Russians wearing police uniforms. Judging from "cautious utterances" of the police leaders, some sort of action against the Federal Republic is planned in connection with the plebiscite against remilitarization, scheduled to be held in east Germany from 3-5 June. [redacted] (b)(1) (b)(3) COMMENT: Two of the Thuringian towns in which this activity is reported are located in the Eisenach-Ohrdruf field training area where the Soviet Army is currently engaged in maneuvers. Previous reports have indicated that artillery units of the East German Alert Police would move to Soviet artillery ranges in Saxony Anhalt during June and probably would undergo field training exercises. It is possible that this activity is what is being reported. With a view to preventing anti-plebiscite propaganda material being brought in from west Germany, a build-up of border forces may be in progress. However, any aggressive action against the Federal Republic is unlikely to occur.

"B" THE SAAR. No Further Moves Seen in Dispute over Status. Schuman Plan author Monnet has told US Embassy Paris that he believes a dangerous situation has been created in the Saar by French Foreign Minister Schuman's letter to Saar President Hoffman resulting in the banning of the Saar Democratic Party (DPS). Monnet feels that further actions of this sort



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by France could "pull the rug out from under Adenauer", whose political position is dependent on Franco-German friendship. Officials of the French Foreign Office say they would have been "placed on the skids" by failing to act against the DPS. They anticipate no additional steps in the matter.

(b)(1) (b)(3) [redacted] In the six-hour debate on the Saar in the west German Bundestag on 30 May, a temperate atmosphere prevailed, due chiefly to the mild tone of the addresses by both Chancellor Adenauer and Socialist opposition leader Carlo Schmid. Adenauer avoided strong criticism of the French, and insisted that he would not allow the actions of the Saar Government to dissuade him from his policy of good Franco-German relations. A motion approving Adenauer's stand was passed only with the votes of the government coalition parties. [redacted] COMMENT: The Saar (b)(1) Democratic Party, a small group favoring the return of the Saar to Germany, (b)(3) was banned on the grounds of being unconstitutional. The Bonn Government wants to support a Saar party working for union with Germany, but feels it cannot back the Saar's Socialists, many of whom favor such a union, because the Socialists are the chief opposition to the Government in west Germany. Unfortunately for Bonn, the DPS is reported to be exhibiting neo-fascist tendencies, and was represented in March of this year at the first meeting of the German Congress, an organization attempting to co-ordinate the activities of neutralist groups opposing German remilitarization. The DPS is reported to have received a subsidy to the extent of 800,000 Deutsche marks from Bonn's All-German Affairs Minister Kaiser.

"B" FRANCE: French Election Picture Somewhat Brighter. Proportional representation, which the new French electoral law was designed to reduce in the 17 June national elections, is expected to obtain in about two-thirds of the electoral districts of France. This is largely due to De Gaulle's unwillingness to form electoral alliances with the other non-Communist parties. De Gaulle's intransigence has obliged the newly organized Rightist-oriented "Fourth Force" to form numerous electoral alliances with the middle-of-the-road "Third Force" which had managed to maintain a government despite the opposition of both extremes in the last Assembly. This further reduces the chances for a Gaullist landslide and makes it somewhat less likely that the Gaullists and the Communists can obtain a majority between them. It is probable, however, that the combined Communist and Gaullist representation will be larger than the 210 seats held in the last Assembly. [redacted] (b)(1)

(b)(1) (b)(3) [redacted] COMMENT: If all non-Communist parties united for the elections, (b)(3) they would obtain majorities in most districts, and Communist representation in the National Assembly would be almost wiped out. De Gaulle's strategy is aimed at reducing the strength of the middle-of-the-road parties by scaring the electorate into voting for his party as the only effective opposition to the Communists. This would also increase the strength of the Communists as leftist groups sought to counterbalance De Gaulle. The number of alliances among Centrist parties now indicates, however, that a Centrist majority is still possible, but this is no guarantee that a viable government will result.



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"B" ITALY. Neo-Fascists Have Gained Strength Since 1948 Elections. According to US observers, the neo-Fascist Italian Social Movement (MSI) showed "surprising" gains in nearly complete returns for the first half of the spring series of local elections. Although not yet an important political factor, the MSI appears to have polled somewhat less than four per cent of the vote, or about double its percentage in the 1948 national elections. Votes which went to the MSI instead of to the electoral bloc of pro-Government parties caused the defeat of the pro-Government bloc in Bologna, where the Communists retained control of the city administration. (b)(1) (b)(3) (b)(1) (b)(3) NY Times, 1 June and 31 May 51) COMMENT: Although politically small, neo-Fascism is strong in Italy's universities, probably stronger than Communism and almost as strong as Christian Democracy among the students. It was anticipated that the neo-Fascists, joined in many areas in an electoral alliance with the Monarchists, would gain votes from conservative elements previously favorable to the Christian Democrats. (b)(1) (b)(3) Hostility to even such mild economic reform as the government has planned, may have led them to wish to frighten the Christian Democrats into favoring Conservative financial interests in the next Cabinet reshuffle. The neo-Fascists also may have gotten some support from certain Vatican elements, reportedly irked at the corruption in the Christian Democratic Party.

"C" Italian Industry Grants Wage Increases. Confindustria (the Italian counterpart of the National Association of Manufacturers) has agreed upon a slight wage increase for June and July with the Italian labor unions. This has been granted as part of a cost-of-living sliding scale arrangement. (b)(1) (b)(3) COMMENT: A substantial segment of industrial workers has received wage increases over the past year. These increases were not sufficient to offset labor dissatisfaction with the increased cost of living which appears to be one of the important reasons for the continued Communist dominance over labor and for the voting gains made by the Communists during the first phase of the municipal elections.

"C" ITALY-BOLIVIA. Italians to Recognize Junta. The US Embassy in La Paz has reported that the Italian Minister has been instructed to recognize the Junta concurrently with the US. (b)(1) (b)(3) COMMENT: Deference to US action and prompt recognition are in keeping with Italian policy in this area. Italy is particularly desirous at this time, of maintaining Latin American support because the Italians will continue, as in the past, to depend heavily upon Latin American backing to achieve a major portion of their foreign policy objectives such as revision of the peace treaty, the return of the Free Territory of Trieste, and UN membership.

"B" BELGIUM. Probable Delay in the Prince Royal's Coronation Unlikely to Cause Unrest. According to a conversation with a Social Christian Party (PSC) official in Parliament, the transfer of royal powers to the Prince Royal,



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which was tentatively scheduled for 7 September when he becomes 21, probably will be postponed for about a month as a matter of good form. Informal discussions with the Socialists have brought forth no opposition. In addition, the non-Communist press comments favorably on a postponement of the coronation proceedings, but points out that the important question will be the government's composition afterwards. Some believe that a government shuffle will follow, with the more conservative members replaced by representatives of the PSC's liberal wing. (b)(1) (b)(3) [redacted] (b)(1) (b)(3)

COMMENT: The expected postponement until the end of September of the Prince Royal's accession to the throne is not expected to provoke agitation of any serious proportions. The probable Communist-sponsored demonstrations will be of negligible importance. Although some of the ministers in the present Belgian Government may be replaced after the government's automatic resignation when the Prince Royal becomes King, the one-party Cabinet probably will continue. Prospects for inclusion of any of the non-Communist opposition parties in the government, as well as prospects for national elections in the near future, are dim.

"B" SWEDEN. Foreign Office Proposes Plan to Limit Exports to Soviet Orbit. The Swedish Foreign Office has proposed to the US Embassy at Stockholm the following formula to limit Swedish trade with Soviet orbit countries in strategic items, except for ball bearings which are subject to special negotiations (b)(1) (b)(3) [redacted] (1) existing contracts for strategic items will be honored within the framework of current trade agreements; (2) where quotas in existing trade agreements comprise both List I and other items of export, Sweden will attempt to avoid licensing the export of the former; (3) in negotiating new trade agreements Sweden will try to avoid specified quotas for List I items; and (4) the Foreign Office will keep the Embassy informed about Swedish trade with the orbit countries, particularly as it develops under the above arrangements. The Embassy believes that the formula would have about the same effect as an outright embargo subject to the hardship-formula exceptions, and that the Foreign Office is reluctant to make any further concessions because the government wishes to be able to inform the Parliament that Sweden has not assumed any obligations to restrict East-West trade in strategic goods. (b)(1) (b)(3) [redacted]

COMMENT: Although Swedish trade with the Soviet orbit has constituted only 5-10 per cent of Sweden's total foreign trade, it has included certain strategic items. The Swedes recognize the desirability of limiting their strategic exports; but they have hesitated to adopt outright a policy which might compromise their foreign policy of "no alliances" and even provoke "non political" retaliation from the Soviet orbit countries (see OCI Daily Digest, 13 Apr 51).

[redacted] (b)(1) (b)(3)



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(b)(1)
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"C" SOUTHERN RHODESIA, NORTHERN RHODESIA, NYASALAND. Plan for Central African Federation Formulated in London. Details of a plan for a future Central African federation were agreed upon unanimously at a recent London meeting of representatives of Southern and Northern Rhodesia, Nyasaland, and the Colonial Office. The plan calls for a one-chamber legislature, a Cabinet and a Governor-General responsible for such matters as transportation and finance which affect all three territories, but each would continue to have its own legislative council to deal with local matters. Provision would be made for the representation of the natives of each territory in the central legislature. COMMENT: (b)(1) (b)(3)
Since the London talks were intended to be of a purely exploratory nature, the unanimity reached on this plan represents an unexpected step toward ultimate Central African federation, although none of the governments will be committed to proceed with the plan until assured of the full support of their legislative councils. The plan falls short of the complete amalgamation sought by Southern Rhodesia, a proposal unacceptable to the UK because of its refusal to allow white-ruled Southern Rhodesia to extend its policy of racial discrimination to the other territories with their predominantly native population. However, Sir Godfrey Huggins, Premier of Southern Rhodesia, has put his great personal prestige behind the present compromise. In several previous conferences the basic racial conflict has blocked progress toward federation, which all parties agree is economically desirable; but the growing common concern over the expanding influence of the Nationalist-ruled Union of South Africa has now encouraged agreement.

"C" CHILE. Continued Labor Unrest in the Copper Industry. Continued agitation and slowdowns at the Chuquicamata mining area, following the recent strike (b)(1) (b)(3) temporarily ended on 14 May and attributed to Communist action by the Anaconda company, reportedly is building up to a critical situation "as indicated by the physical sabotage of equipment". The Minister of Interior has suspended the order banishing four labor leaders from the Chuquicamata camp areas--a measure claimed to be necessary as a result of sabotage. The new Confederation of Copper Workers threatens a general strike if the banishment order is not definitely rescinded. Also, the new confederation is discussing demands of the Braden Company workers with President Gonzalez Videla. The President--despite his expressed determination to combat subversive movements and agitation--



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is negotiating with the confederation without the advice of the Ministers of Interior and Labor and has failed to consult the US-owned companies. These companies--in view of the President's actions and because of the delicate political situation--feel that the President may accede to the workers' demands. [redacted] Press and Radio) COMMENT: It has been estimated that there are approximately 150 possible saboteurs at Braden, and 100 at Chuquicamata. Earlier information has indicated that there is still sufficient Communist strength among the rank and file of copper workers to be potentially dangerous in the event of a crisis. The President's actions probably reflect concern over labor support for newly proposed anti-inflationary projects, a desire not to offend unnecessarily political interests opposed to the Law for the Defense of Democracy in the pre-election year, and preoccupation about the adverse effects on government revenue from a slowdown or decrease in copper production.

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1 June 1951

## SECTION 1 (SOVIET)

"A" USSR. Swedish and Yugoslav officials comment on Soviet approach regarding Korea. In a 29 May conversation with Ambassador Butterworth, Swedish Prime Minister Erlander indicated that he had not attached any importance to the supposed Soviet approach regarding a settlement in Korea. Erlander said that he was not at liberty to disclose the identity of the Russian personage or the Swedish intermediary. In a subsequent conversation, Foreign Minister Unden attached importance to the approach because (1) the Russian was an important Communst (2) the Russian had asserted to his Swedish contact in such categorical terms that the Korean conflict could be terminated on the basis of a return to the status quo ante and (3) the Moscow press had given prominence to similar proposals (Senator Johnson's resolution). Yugoslav UN delegate Bebler has reaffirmed his belief that the USSR is ready for bilateral US-USSR talks leading toward a Korean settlement along the 38th Parallel. Bebler elaborated that the Far East situation has become too serious for the USSR because Chinese Communist military defeats have placed the USSR in a position where total victory in Korea can be achieved only by open Soviet intervention, a stake for which the USSR is afraid to play since it does not want global war. Bebler added that the USSR fears another UN invasion of North Korea principally because of the resultant Soviet loss of prestige throughout all of Asia, and secondarily because of the approximation of US power near their borders.

(b)(1) (b)(3) (b)(1) (b)(3)

COMMENT: Soviet UN delegate Malik on 28 May publicly denied that the USSR has made any offer to discuss a settlement of the Korean war. Malik did not deny, however, that the USSR is the appropriate party to undertake negotiations, despite the USSR's public protestations of non-involvement in the Korean dispute.

## SECTION 2 (EASTERN)

"B" INDONESIA. Indonesia Reluctant to Classify Rubber as Strategic. The Indonesian Ambassador to the US, Ali, (presently in Jakarta) admitted to Ambassador Cochran a reluctance among Indonesian officials to include rubber on the list of strategic materials now being drawn up in connection with



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the UN embargo on shipments to Communist China. Ali pointed out that other countries might classify rubber as non-strategic, and that he, in any case, was under the impression that the US would be satisfied if Indonesia adhered to its "historic pattern" in foreign trade. Cochran notes that Indonesia is unlikely to commit itself publicly to a full embargo on rubber so long as there is reason to doubt that the British will go that far. (b)(1) (b)(3) [redacted] COMMENT: Indonesian officials have pointed out that the Indonesian economy is highly dependent upon the income derived from rubber exports and that historically Indonesia has not shipped rubber to the Soviet Orbit. The bulk of Indonesian rubber has gone to Malays for reexport and figures are not available on the amount of Indonesian rubber included in Malayan exports to China and the USSR.

"C" JAPAN. Philippines Suggest UN Control Post-Treaty Japanese Education. The US Embassy in Manila cables that Foreign Minister Romulo has informally shown the Philippine comments on the Japanese Peace Treaty draft to Embassy officials. In addition to comments on claims and property, the Philippines are credited with feeling strongly on the score of Japanese education. It was suggested that the treaty include a clause whereby the Japanese would accept the authority of the UN to direct and supervise its entire educational system for a period not to exceed 20 years. [redacted] (b)(1) (b)(3)
COMMENT: The suggestion for UN supervision of the Japanese educational system for 20 years is a new proposal for the peace treaty and may have been advanced by the Philippines, along with heavy reparations claims, for bargaining purposes.



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